

KUMBA IRON ORE LIMITED

(Registration number 2005/015852/06)
("Kumba" or "the company")

BOARD CHARTER

1. INTRODUCTION

- 1.1 Recommendations for and principles of good corporate governance are set out in the King Code of Governance Principles for South Africa, 2009 and the King Report on Governance for South Africa, 2009 (“King III”).
- 1.2 The board of directors of Kumba Iron Ore Limited (“the board”) fully subscribes to the principles of good corporate governance and regards these as fundamentally important to the business success and sustainability of the company.
- 1.3 The board therefore approved this board charter (“the charter”), the provisions of which will at all times be subject to all relevant statutory and regulatory requirements, including, amongst others, the Companies Act No 71 of 2008, as amended (“the Companies Act”), the JSE Listings Requirements and the company’s Memorandum of Incorporation.
- 1.4 The purpose of the charter is to regulate the parameters within which the board will operate and to ensure the application of the principles of good corporate governance in all dealings by, in respect and on behalf of, the company and furthermore to set out the roles and responsibilities of the board and individual directors, including the composition and relevant procedures of the board.
- 1.5 Unless inconsistent with the content, words importing the masculine gender shall include the female gender and words importing persons shall include all legal entities (corporate or otherwise).

2. COMPOSITION OF THE BOARD

- 2.1 The board subscribes to a unitary board structure with a balance of executive and non-executive directors. There will be a minimum of 4 (four) directors and a maximum of 12 (twelve) directors as prescribed by the company’s Memorandum of Incorporation.
- 2.2 Notwithstanding the above, there will at all times be a majority of non-executive directors, the majority of whom will be independent as defined in King III.
- 2.3 The roles of chairman and chief executive officer will be separated as recommended by King III and prescribed by the JSE Listings Requirements. The chairman of the board will be an independent non-executive director.
- 2.4 Notwithstanding the chairman being an independent non-executive director, the board will appoint a lead independent director from amongst their members to fulfil the role as envisaged in King III and set out in Annexure A hereto, unless the board resolves otherwise.
- 2.5 The chairman will be responsible for the effective leadership of the board as set out in Annexure A hereto. The board has adopted a policy that the successor for the chairman will be appointed by the board from their number, either temporarily or permanently. The appointment of the successor will take place after the chairman has indicated that he will not be available.

- 2.6 There will be a clear division of responsibilities between the executive responsibility for the running of the company's business and the leadership of the board, such that no one individual has unfettered powers of decision-making. For this purpose the reporting lines and responsibilities of the chairman and chief executive officer are set out in Annexure A hereto.
- 2.7 Two executive directors will be appointed as a minimum, being the chief executive officer and chief financial officer. The termination of the employment relationship of such executive director will result *ipso facto* in the termination of his directorship, unless the board resolves otherwise.
- 2.8 The board is authorised by the company's Memorandum of Incorporation to fill vacancies on the board. This authority will be exercised through a formal process as envisaged in King III. The Human Resources, Remuneration and Nomination Committee of the board will assist with the identification of suitable candidates for appointment to the board.
- 2.9 Both executive and non-executive directors appointed by the board based on the recommendation of the Human Resources, Remuneration and Nomination Committee will stand down at the first annual general meeting of shareholders following such appointment and may offer themselves for re-election.
- 2.10 The board will on an annual basis consider its size, diversity, demographics and skills requirements as part of the assessment of the board and directors' performance.
- 2.11 At least one third of the non-executive directors will retire by rotation on an annual basis as per the provisions of clause 24 of the company's Memorandum of Incorporation.
- 2.12 The independence of all independent non-executive directors will be assessed on an annual basis with a specific focus on the independence of independent non-executive directors who have served for more than 9 years and the outcome of such assessments will be reported on in the integrated report.
- 2.13 Notwithstanding any of the above, a director shall cease to hold office should any event as contemplated in clause 23 of the company's Memorandum of Incorporation occur.

3. ROLE AND RESPONSIBILITIES OF THE BOARD

- 3.1 As its primary function, the board is responsible to determine the company's strategic direction and to exercise prudent control over the company and its affairs.
- 3.2 The board and the individual directors will at all times act in the best interest of the company and adhere to all relevant legal standards of conduct.
- 3.3 In fulfilling its function, the board will at all times:
- 3.3.1 provide effective leadership based on an ethical foundation;

- 3.3.2 act as ultimate custodian of the company's system of corporate governance by managing its relationship with management, shareholders and other stakeholders based on sound corporate governance principles;
- 3.3.3 appreciate that strategy, risk, performance and sustainability are inseparable and give effect to this by:
- contributing to and approving the strategy of the company as presented by management;
 - satisfying itself that all material risks in the strategy and business plans have been duly considered and addressed by management;
 - being satisfied that the strategy will result in sustainable outcomes for the company, taking account of the concept of "people, planet and profit";
 - identifying the key performance and risk areas in the business; and
 - considering sustainability as a business opportunity that guides the formulation of strategy;
- 3.3.4 ensure that the company is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the company but also the impact that business operations may have on the environment and societies within which it operates;
- 3.3.5 ensure that the company has a code of ethics and related ethics policies, based on its values as approved by the board, and that the ethical performance of the company and its representatives is pro-actively and effectively managed and reported on;
- 3.3.6 ensure that the company has an independent and effective audit committee;
- 3.3.7 be responsible for the pro-active and effective management of risk in the company;
- 3.3.8 be responsible for the pro-active and effective governance of information technology;
- 3.3.9 ensure that the company complies with all applicable laws and considers adherence to non-binding rules and standards;
- 3.3.10 ensure that there is an effective risk-based internal audit function in the company;
- 3.3.11 ensure proper management of the relationship between the company and all its stakeholders so as to protect and, where possible, enhance the reputation of the company;
- 3.3.12 ensure the integrity of the company's integrated report ;
- 3.3.13 monitor the performance of the company against agreed objectives and review the performance of executive management against defined objectives and other applicable performance standards; and

- 3.3.14 continuously monitor the solvency and liquidity of the company.
- 3.4 The board will be responsible to appoint the chief executive officer and chief financial officer and ensure a proper process of performance management and succession planning in respect of these positions.
- 3.5 The board, via the Human Resources, Remuneration and Nomination Committee, will provide input regarding senior management appointments, remuneration and succession plans.
- 3.6 The board will implement a formal delegation of authority framework which will be reviewed on an annual basis.
- 3.7 The board will, with the support of the Human Resources, Remuneration and Nomination Committee, adopt remuneration policies that are fair, responsible and aligned with the strategy of the company while linked to individual performance. A remuneration report will be included in the integrated report and the remuneration philosophy will be submitted to shareholders annually for a non-binding, advisory vote.

4. RESPONSIBILITIES OF INDIVIDUAL DIRECTORS

- 4.1 In fulfilling his responsibility to the company, a director will at all times:
 - 4.1.1 act in the best interest of the company, in good faith and with integrity and adhere to all relevant legal standards of conduct;
 - 4.1.2 conduct himself in a professional manner;
 - 4.1.3 avoid any conflict of interest between his personal affairs and that of the company or, where unavoidable, disclose any such conflict or potential conflict;
 - 4.1.4 disclose any information that he may be aware of that is material to the company and which the board is not aware of, unless such director is bound by ethical or contractual obligations of non-disclosure;
 - 4.1.5 only use his powers for the purposes for which they were conferred upon him and not to gain an advantage for himself or a third party or to harm the company in any way;
 - 4.1.6 only act within his powers as formally delegated by the board;
 - 4.1.7 keep all information learned in his capacity as a director strictly confidential;
 - 4.1.8 use his best endeavours to attend board and relevant board committee meetings where at all possible and devote appropriate preparation time ahead of each meeting to ensure that he is in a position to contribute to board and committee discussions and to make informed decisions on matters placed before the board or board committee;

- 4.1.9 exhibit the degree of skill and care as may be reasonably expected from a person of his skill and experience, but also exercise both the care and skill any reasonable person would be expected to show in looking after his own affairs; and
- 4.1.10 actively participate in and contribute to board deliberations in a constructive and frank manner under the leadership and guidance of the chairman.
- 4.2 Individual directors will be expected to participate in the company's induction programme on appointment and attend such professional development programmes as deemed necessary by the chairman based on the outcome of the annual assessment of the director's performance.
- 4.3 Directors who are not able to attend any meetings of the board will submit a formal apology, with reasons, to the chairman or company secretary.
- 4.4 The directors are entitled to have access, at reasonable times, to all relevant company information and to management. Such access shall be arranged through the chairman of the board or the chief executive officer.
- 4.5 It will be the responsibility of each director to ensure a proper disclosure of any potential conflict of interest, not only as and when such conflict arises, but also by submitting and continuously updating a general declaration of interest in the format as required by the company secretary from time to time.

5. **DEVELOPMENT OF DIRECTORS**

- 5.1 A formal induction programme will be in place for new directors who will also be provided with a letter of appointment.
- 5.2 The need for continuing professional development programmes will be identified as part of the annual assessment of the performance of the directors.
- 5.3 Directors will be provided with regular briefings on changes in risks, laws and the environment but will also be expected to keep abreast of developments in the business environment and markets that may have a material impact on the business.

6. **BOARD COMMITTEES**

- 6.1 The board will delegate certain of its functions to well-structured committees, but without abdicating its own responsibilities.
- 6.2 Each board committee as established by the board will have formal terms of reference to be approved by the board and annually reviewed.
- 6.3 The committees will be appropriately constituted with due regard to the statutory requirements, where applicable, as well as the skills required by each committee.

6.4 Each board committee will be chaired by an independent non-executive director and the majority of committee members will be independent non-executive directors unless otherwise regulated in the terms of reference of the committee.

6.5 As a minimum, the board will establish an Audit Committee, Risk Committee, Social & Ethics Committee and a Human Resources, Remuneration and Nomination Committee, unless otherwise resolved by the board.

7. COMPANY SECRETARY

7.1 The board will appoint and remove the company secretary and empower the company secretary to enable him to properly fulfil his duties.

7.2 The company secretary is accountable to the board as prescribed by the Companies Act and will work closely with the chairman in respect of all board related matters as contemplated in King III.

7.3 The board will ensure that the company secretary has the requisite knowledge, skills and experience to fulfil the function of company secretary of a public, listed company.

7.4 As prescribed by the JSE Listings Requirements, the board will, through the Human Resources, Remuneration and Nomination Committee, conduct an annual assessment of the competence, qualifications and experience of the company secretary and must report on this in its annual report to the shareholders. This communication must specifically include details of the steps which the board of directors took to make this annual assessment as well as providing information which demonstrates the actual competence, qualifications and experience of the company secretary.

7.5 The company secretary will not be a director of the company.

7.6 The company secretary will, in addition to his statutory duties, fulfil the governance duties of a company secretary as contemplated in King III.

7.7 The board will implement such procedures as are required to ensure the independence of the company secretary.

8. MEETING PROCEDURE

8.1 The board will hold sufficient scheduled meetings to discharge all its duties but subject to a minimum of 4 (four) meetings per year.

8.2 Any board member may, in consultation with the chairman, request additional board meetings to be held as and when deemed appropriate. A board meeting shall be called if required by at least 2 (two) directors as contemplated in clause 27.1.2 of the company's Memorandum of Incorporation.

8.3 The company secretary will be required to facilitate the process of setting the agenda for each meeting as agreed with the chairman and chief executive officer. Every

director will be entitled, in consultation with the chairman, to add any item to the agenda for a particular board meeting.

- 8.4 Reasonable notice in writing shall be given to all directors in respect of all board meetings and processes.
- 8.5 The detailed agenda together with supporting documentation will be circulated prior to the meeting within a reasonable time so as to enable the directors to be properly prepared for the meeting.
- 8.6 The quorum necessary for the transaction of business shall be a majority of directors.
- 8.7 From time to time, the non-executive directors of the board shall meet without any members of the executive management team being present *inter alia* for the purposes of evaluating the information received from executive management about the company and to determine whether it is reliable and of the appropriate standard.
- 8.8 Members of senior management and service providers may be invited by the chairman to attend meetings of the board but will not be entitled to vote or be counted for quorum purposes.
- 8.9 In the absence of the chairman at a meeting, the lead independent director will act as chairman for purposes of the meeting.
- 8.10 The board's discussions shall at all times be open and constructive. The chairman shall seek a consensus in the board but may, where considered necessary, call for a vote in whatever manner the chairman, in his sole discretion, deems appropriate.
- 8.11 The minutes of a meeting must be completed as soon as reasonably possible after the meeting and circulated to the chairman for review. The minutes will be formally approved by the board at its next scheduled meeting.
- 8.12 The board will establish an annual work plan to ensure that all relevant matters are covered by the agendas of the meetings planned for the year.
- 8.13 Board meetings may be conducted via telephone or video conference facilities provided that all concerned can actively participate in the meeting. Directors participating via these facilities will be counted for quorum purposes.
- 8.14 A resolution in writing signed by a majority of the directors who are present in South Africa at the time when such resolution is signed by the first of such directors, will be as valid and effectual as if it had been passed at a board meeting duly called and constituted, provided that each director shall have been afforded a reasonable opportunity to express an opinion on the matter to which such resolution relates.
- 8.15 Any proposed resolution referred to in clause 8.14 above:
 - 8.15.1 may be signed, in any electronic form and in any number of counterparts, all of which, taken together, shall constitute one and the same document; and

8.15.2 may, in signed or unsigned form, be conveyed or transmitted by email or any other form of electronic means,

subject to any conditions decided upon by the board.

9. BOARD PROCEDURES AND POLICIES

The board will be entitled to adopt and approve such procedures and policies as it may deem necessary to ensure proper governance in the management of its affairs. As a minimum, the board will adopt policies and procedures in respect of the following:

9.1 Independent professional advice

The board will approve a procedure in terms of which any director may take independent professional advice, at the expense of the company, where there is doubt as to whether a proposed course of action is consistent with his/her statutory and/or fiduciary duties and responsibilities.

9.2 Conflicts of interest and declaration of directorships

The board shall adopt a formal Conflicts of Interest Policy in terms of which conflicts are defined and appropriate procedures for dealing with conflicts are prescribed.

In addition to the above, the board also endorses the Anglo American Business Integrity Policy and Performance Standards.

Notwithstanding the above, directors will at all times ensure full compliance with the requirements of section 75 of the Companies Act as far as personal financial interests, as defined in the Act, are concerned. In addition, directors will be expected to provide the company secretary with a list of all directorships held by such director and to keep such list updated at all times.

9.3 Trading in company securities

The board shall adopt and approve a formal procedure to regulate the trading by directors, senior management and relevant employees in the company's securities.

Directors are alerted to the relevant provisions of the JSE Listings Requirements as far as trading in the company's securities are concerned as well as the possibility of a substantial penalty being imposed by the JSE on a director in his individual capacity for non-compliance to these requirements.

9.4 Dissemination of company information

The board will approve a policy in respect of the dissemination of company information in order to regulate the circulation of price sensitive information and to ensure equal treatment of all shareholders in compliance with the JSE Listings Requirements.

The board will ensure that there is timely and accurate disclosure to shareholders of any information that would materially affect either the value or worth of their investment in the company. In addition, there will be transparent communication with all stakeholders, the quality of which will be based on substance over form.

10. BOARD AND DIRECTOR EVALUATION

- 10.1 An annual evaluation of the performance of the board, chairman, individual directors and board committees will be done.
- 10.2 An overview of the evaluation process, results and action plans will be disclosed in the integrated report.
- 10.3 The nomination for the re-appointment of a director will only occur after the evaluation of the performance and attendance of the director.

11. DIRECTORS' FEES AND SERVICES

- 11.1 Non-executive directors' fees will be approved by shareholders on an annual basis on recommendation by the board with the input and assistance of the Human Resources, Remuneration and Nomination Committee.
- 11.2 Full disclosure of all fees paid to directors for their services as directors will be made in the integrated report.
- 11.3 Non-executive directors should, as a general rule, not provide any professional or business services of an on-going nature to the company. The company may, for the purpose of a special assignment, engage the services of a non-executive director (specific field of expertise) but the terms of the engagement must be competitive, clearly recorded and all legal requirements with regards to disclosure must be complied with.

12. REVIEW OF CHARTER

The charter will be reviewed on an annual basis by the board.

APPROVED BY THE BOARD ON 27 NOVEMBER 2013

CHAIRMAN OF THE BOARD

POLICY ON DIVISION OF RESPONSIBILITIES

In order to confirm that there is an appropriate balance of power in the board, the reporting lines and key responsibilities of the chairman of the board, the lead independent director and the chief executive officer are set out below:

A. CHAIRMAN

A1. Reporting Lines

- 1.1 The chairman is accountable to the board.
- 1.2 The chairman is not responsible for executive matters regarding the company's business. Other than the chief executive officer and (in respect of the limited matters set out herein and other matters directly relating to the board) the company secretary, no executive reports to him other than through the board.

A2. Key Responsibilities as per King III

- 2.1 Setting the ethical tone for the board and the company.
- 2.2 Providing overall leadership to the board without limiting the principle of collective responsibility for board decisions.
- 2.3 Ensuring, in conjunction with the chief executive officer and the company secretary, that an annual work plan for the Board is developed and playing an active part in setting the agenda for board meetings.
- 2.4 With the assistance of the Human Resources, Remuneration and Nomination Committee:
 - 2.4.1 identifying and participating in the nomination of individuals for appointment as directors;
 - 2.4.2 overseeing a formal succession plan for directors and senior management of the company;
 - 2.4.3 ensuring that a formal programme of induction and continuing professional education for directors is adopted and, in general, enhancing the confidence of new directors and encouraging them to speak and make a meaningful contribution at board meetings; and
 - 2.4.4 ensuring that the on-going effectiveness and development of the board, board committees and individual directors is reviewed annually.

- 2.5 Presiding over board meetings and ensuring that time in meetings is used productively.
- 2.6 Dealing with conflicts of interest which may arise, ensuring compliance with all internal and external legal requirements. In this regard, the chairman must ask the relevant director to recuse themselves from participating in discussions and taking decisions in respect of matters in which they have a conflict of interest.
- 2.7 Acting as a link between the board and management and in particular between the board and the chief executive officer.
- 2.8 Ensuring that complete, timely, relevant, accurate, honest and accessible information is placed before the board to enable directors to reach an informed decision.
- 2.9 Ensuring that all directors play a full and constructive role in the affairs of the company and taking a lead role in the process of removing non-performing or unsuitable directors from the board.
- 2.10 Monitoring how the board works together and how individual directors perform and interact at meetings.
- 2.11 Ensuring that all directors are appropriately made aware of their responsibilities and ensuring that a formal programme of continuing professional development is adopted at board level.
- 2.12 Ensuring that good relations are maintained with the company's major shareholders and its strategic stakeholders and building and maintaining stakeholder trust and confidence in the company.
- 2.13 Ensuring that board decisions are executed.

B. LEAD INDEPENDENT DIRECTOR

B1. Reporting Lines

- 1.1 The lead independent director ("LID") is accountable to the board.
- 1.2 The LID will be expected to serve in this capacity where the chairman of the board is absent and not able to perform his duties for whatsoever reason or where the independence of the chairman of the board is questionable or impaired. The independence of the chairman will be considered to be impaired if the majority of board members resolves as such. The LID actively serves in this capacity for as long as the circumstances that caused the chairman's absence, inability or conflict exists.

B2. Key Responsibilities as per King III

Where the LID is expected to actively serve in the circumstances as referred to in item B1.2 above, he/she will be responsible for:

- 2.1 Presiding at all meetings of the board at which the chairman is not present or where the chairman is conflicted, including any session of the independent directors.
- 2.2 Calling meetings of the independent directors where necessary.
- 2.3 Serving as principal liaison between the independent directors and the chairman.
- 2.4 Performing all such functions that cannot be performed by the chairman due to his/her absence or the existence of a conflict of interest.
- 2.5 Liaising with major shareholders if requested by the board in circumstances or transactions in which the chairman is conflicted.
- 2.6 Performing other duties that the board of directors may from time to time delegate.

C. CHIEF EXECUTIVE OFFICER

C1. Reporting Lines

- 1.1 The chief executive officer reports to the chairman (acting on behalf of the board) and to the board directly.
- 1.2 The chief executive officer is responsible for all executive management matters affecting the Group. All members of executive management report, either directly or indirectly, to him.

C2. Key Responsibilities as per King III

- 2.1 Recommending or appointing the executive team and ensuring proper succession planning and performance appraisals.
- 2.2 Developing the company's strategy for consideration and approval by the board.
- 2.3 Developing and recommending to the board annual business plans and budgets that support the company's long-term strategy.
- 2.4 Monitoring and reporting to the board the performance of the company and its conformance with compliance imperatives.
- 2.5 Establishing an organisational structure for the company which is necessary to enable execution of its strategic planning.
- 2.6 Setting the tone in providing ethical leadership and creating an ethical environment.
- 2.7 Ensuring that the company complies with all relevant laws and corporate governance principles.
- 2.8 Ensuring that the company applies all recommended best practice and, if not, that the failure to do so is justifiably explained.